PREPARED BY: DATE PREPARED: PHONE: Doug Gibbs January 21, 2015 402-471-0051

**LB 70** 

Revision: 00

## **FISCAL NOTE**

LEGISLATIVE FISCAL ANALYST ESTIMATE

| ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates) |              |           |              |           |  |  |  |
|--|--------------|-----------|--------------|-----------|--|--|--|
|  | FY 2015-16   |           | FY 2016-17   |           |  |  |  |
|  | EXPENDITURES | REVENUE   | EXPENDITURES | REVENUE   |  |  |  |
| GENERAL FUNDS  |              | See Below |              | See Below |  |  |  |
| CASH FUNDS   |              |           |              |           |  |  |  |
| FEDERAL FUNDS  |              |           |              |           |  |  |  |
| OTHER FUNDS  |              |           |              |           |  |  |  |
| TOTAL FUNDS  |              | See Below |              | See Below |  |  |  |

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB 70 amends the Mechanical Amusement Device Act.

The bill adds new language to the Act that allows a city or village to levy an occupation tax upon the business of operating a mechanical amusement device within the boundaries of the city or village. A county may levy such a tax if the operation of the mechanical amusement device occurs outside the boundaries of any city or village.

The amount of the tax is to be equal to ten percent of the gross revenue derived from the operation of the device. The Tax Commissioner is to collect the occupation tax in the same manner that the state sales tax is collected and remit monthly the proceeds of the tax to the appropriate political subdivision. The Tax Commissioner shall deduct twenty percent of the proceeds for credit to the General Fund.

Gross revenue is defined as the total aggregate receipts received from the operation of any mechanical amusement device without any reduction for prizes, discounts, taxes, or expenses. It includes receipts from admission cost, any consideration necessary for participation and the value of any free tickets, games or plays.

LB 70 also provides that any occupation tax imposed pursuant to this bill is not subject to the requirements of Section 18-1208. Sec. 18-1208 requires a vote of the people if the projected revenue from the tax exceeds certain dollar amounts dependent on the size of the city or village.

Because of the variables involved, (number of machines statewide, gross revenue per machine, number of cities or counties that might adopt the tax) that are unknown, we are unable to determine an accurate estimate of fiscal impact. However, based on legislation introduced in 2005, in general, revenue could be in the range of \$9.6 million or greater to cities and counties, and \$2.4 million or greater to the General Fund.

LB 70 Fiscal Note 2015

|                              |               | State Agency   | Estimate     |           |                 |           |
|------------------------------|---------------|----------------|--------------|-----------|-----------------|-----------|
| State Agency Name: Departmen | nt of Revenue |                |              |           | Date Due LFA:   | 1/22/2015 |
| Approved by: Len Sloup       |               | Date Prepared: | 1/21/2015    |           | Phone: 471-5896 |           |
| FY 2015-2016                 |               | <u>-2016</u>   | FY 2016-2017 |           | FY 2017-2018    |           |
|                              | Expenditures  | Revenue        | Expenditures | Revenue   | Expenditures    | Revenue   |
| General Funds                | \$87,921      | See below      |              | See below |                 | See below |
| Cash Funds                   |               |                |              |           |                 |           |
| Federal Funds                |               |                |              |           |                 |           |
| Other Funds                  |               |                |              |           |                 |           |
| Total Funds                  | \$87,921      | See below      |              | See below |                 | See below |
|                              | ·             |                |              |           |                 | <u> </u>  |

LB 70 authorizes the imposition of a municipal or county occupation tax on the gross receipts (without a deduction for payouts) of a machine or device subject to the Mechanical Amusement Device Tax Act that awards a monetary prize or anything redeemable for a monetary prize. The 10% occupation tax will be collected by the Department of Revenue (Department) in the same manner as the sales tax and distributed monthly to the municipality or county imposing the tax, minus a 20% fee that is credited to the General Fund.

Machines and devices subject to the occupation tax are exempt from sales tax, unless the owner of a machine or device subject to the occupation tax is delinquent in payment of that tax. The occupation tax is administered and enforced in the same manner as the Mechanical Amusement Device Tax.

The Department cannot accurately determine the General Fund impact because the Department is unable to estimate the number of cities or counties that will adopt the occupation tax and the Department does not currently track receipts of the devices subject to the MAD tax.

LB 70 will require a one-time charge of \$87,921 paid to the OCIO for IT Development costs.

| Major Objects of Expenditure |                      |                     |                     |                     |                       |                       |                       |
|------------------------------|----------------------|---------------------|---------------------|---------------------|-----------------------|-----------------------|-----------------------|
| Class Code                   | Classification Title | 15-16<br><u>FTE</u> | 16-17<br><u>FTE</u> | 17-18<br><u>FTE</u> | 15-16<br>Expenditures | 16-17<br>Expenditures | 17-18<br>Expenditures |
|                              |                      |                     |                     |                     |                       |                       |                       |
|                              |                      |                     |                     |                     |                       |                       |                       |
| Benefits                     |                      |                     |                     |                     |                       |                       |                       |
| Operating Costs              |                      |                     |                     |                     | \$87,921              |                       |                       |
|                              |                      |                     |                     |                     |                       |                       |                       |
| Aid                          |                      |                     |                     |                     |                       |                       |                       |
| Capital Improvements         |                      |                     |                     |                     | \$87,921              |                       |                       |

| <b>LB</b> <sup>(1)</sup> 70  |  |                                   | FISCAL NOTE             |  |  |  |  |
|--|--|-----------------------------------|-------------------------|--|--|--|--|
| State Agency OR Political Subdivision Name: (2)  | League of Nebras                                 | League of Nebraska Municipalities |                         |  |  |  |  |
| Prepared by: (3) Gary Krumland   | Date Prepared: (4) 0                             | 1/13/2015 Phone: 0                | 5) 402-476-2829         |  |  |  |  |
| ESTIMATE PROVID  | ED BY STATE AGENCY (                             | OR POLITICAL SUBDIVIS             | SION                    |  |  |  |  |
|  |  |                                   |                         |  |  |  |  |
| FY 2<br>EXPENDITURES   | <u>REVENUE</u>                                   | FY 20<br>EXPENDITURES             | 16-17<br>REVENUE        |  |  |  |  |
| GENERAL FUNDS  |  |                                   |                         |  |  |  |  |
| CASH FUNDS   |  |                                   |                         |  |  |  |  |
| FEDERAL FUNDS  |  |                                   |                         |  |  |  |  |
| OTHER FUNDS  |  |                                   |                         |  |  |  |  |
| TOTAL FUNDS  |  |                                   |                         |  |  |  |  |
| depend upon how many of the devices are loca<br>governing body votes to enact the occupation | tax.   |                                   | d whether the municipal |  |  |  |  |
| Personal Services:   | N BY MAJOR OBJECTS (                             | <u> JF EXPENDITURE</u>            |                         |  |  |  |  |
|  | JMBER OF POSITIONS           15-16         16-17 | 2015-16 EXPENDITURES              | 2016-17<br>EXPENDITURES |  |  |  |  |
| Benefits   |  |                                   |                         |  |  |  |  |
| Operating  |  |                                   |                         |  |  |  |  |
| Travel   |  |                                   |                         |  |  |  |  |
| Capital outlay   |  |                                   |                         |  |  |  |  |
| Aid  |  |                                   |                         |  |  |  |  |
| Capital improvements   |  |                                   |                         |  |  |  |  |
| TOTAL  |  |                                   |                         |  |  |  |  |

| <b>LB</b> <sup>(1)</sup> 70                               |                           |                     | FISCAL NOTE                           |
|---|---------------------------|---------------------|---------------------------------------|
| State Agency OR Political Subdivision Name:               | 2)                        |                     |                                       |
| Prepared by: (3) Elaine Menzel                            | Date Prepared: (4         | 1/13/2015 I         | Phone: (5) 402-434-5660               |
| ESTIMATE PRO  | VIDED BY STATE AGEN       | NCY OR POLITICAL SU | BDIVISION                             |
| I   | FY 2015-16                |                     | FY 2016-17                            |
| EXPENDITUR  |                           | <u>EXPENDITURI</u>  | · · · · · · · · · · · · · · · · · · · |
| GENERAL FUNDS   |                           |                     | <u> </u>                              |
| CASH FUNDS  |                           |                     |                                       |
| FEDERAL FUNDS   |                           |                     |                                       |
| OTHER FUNDS   |                           |                     |                                       |
| TOTAL FUNDS   |                           |                     |                                       |
|   | <del></del>               | _                   |                                       |
| Explanation of Estimate:                                  |                           |                     |                                       |
| BREAKD Personal Services:                                 | OWN BY MAJOR OBJEC        | TS OF EXPENDITURE   |                                       |
| 2 2 3 5 1 4 2 5 1 7 2 5 5 7 5 7 5 7 5 7 5 7 5 7 5 7 5 7 5 | NUMBER OF POSITION        | NS 2015-16          | 2016-17                               |
| POSITION TITLE  | <u>15-16</u> <u>16-17</u> | EXPENDITUR          | ES EXPENDITURES                       |
|   |                           |                     |                                       |
| Benefits  |                           | _                   |                                       |
| Operating   |                           |                     |                                       |
| Travel  |                           |                     |                                       |
| Capital outlay  |                           |                     | <u> </u>                              |
| Aid   |                           |                     |                                       |
| Capital improvements                                      |                           |                     | <u> </u>                              |
| TOTAL   |                           |                     | <u> </u>                              |
|   |                           |                     |                                       |

LB 70 would allow counties to impose occupation taxes on certain mechanical amusement devices. Based on my research, the number of counties that have mechanical amusement devices operating outside the boundaries of any city or village is not readily available; therefore, the potential additional revenue is indeterminate.